May 29, 2008

Introduction

This management discussion and analysis ("MD&A") provides an analysis of the financial condition and results of operations of Changfeng Energy Inc. (the "Company") and compares the period ended March 31, 2008 financial results with those of the same period the previous year. The MD&A should be read in conjunction with the Company's unaudited consolidated financial statements and related notes for the quarter ended March 31, 2008 and the audited financial statements and related notes for the year ended December 31, 2007 which have been prepared in accordance with generally accepted accounting principles in Canada. In addition it is recommended that the reader also refer to the audited consolidated financial statements for Hainan Energy Limited ("HEL") for the year ended December 31, 2007 and the accompanying MD&A. Additional information about the Company is available at www.sedar.com.

Forward Looking Statements

This report contains forward looking statements, including statements regarding the future success of our business, development strategies and future opportunities.

Forward looking statements include but are not limited to; statements concerning estimates of expected expenditures, statements relating to expected future sales and cash flows, and other statements which are not historical facts. When used in this document, the words such as "could", "plan", "expect", "intend", "may", "potential", "should" and similar expressions indicate forward looking statements.

Although the Company believes that its expectations reflected in these forward looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward looking statements. The factors that could cause actual results to differ materially from those indicated include, but are not limited to, significant changes in market conditions, the inability of the Company to close sales and the inability of the Company to attract sufficient financing. The Company undertakes no obligation to update forward looking statements if circumstances or management's estimates and opinions should change. The reader is cautioned not to place undue reliance on forward looking statements.

Description of Business

Changfeng Energy Inc. is a Canadian public company currently trading on the TSX Venture Exchange, as a Tier 1 company, under the stock symbol "CFY". The Company was formed via a reverse takeover of McBroom Resources and the merger was completed on January 29, 2008. The Company through its wholly owned subsidiary Hainan Energy Limited "CF China" is engaged in the design and construction of natural gas distribution networks and the distribution of natural gas to residential and commercial customers in the greater Sanya region, Hainan Province, People's Republic of China ("PRC").

The primary business objective is to become one of the predominant natural gas distributors in the southern PRC. CF China has acquired a Hainan Natural Gas Operating Permit which provides it with the rights to distribute natural gas throughout the greater Sanya region. CF China has developed a natural gas pipeline network in Sanya City and is in the process of expanding the distribution network in various other communities throughout the greater Sanya region.

Description of Operations

CF China conducts its business through two primary operating segments: Distribution Network Design and Construction and Natural Gas Supply and Distribution, each of which is described in further detail below.

Distribution Network Design and Construction

CF China has built and owns Sanya City's main pipeline network and branch pipeline networks to effect gas connections to residential, industrial and commercial users. Each of CF China's pipeline customers is physically connected to its pipeline network through connection equipment and natural gas usage monitoring systems which are installed and maintained by CF China.

CF China's network includes 53 km of high pressure gas pipelines, over 70 km of medium to low pressure gas pipelines and over 100 km of branch/customer pipeline. The network includes one primary station, 2 gate processing stations and 3 gas pressure regulating stations. The primary station is connected to the state owned natural gas processing plant located near by. This processing plant is directly connected via high pressure sub sea pipeline to the CNOOC Ya13-1 gas well located approximately 100 km offshore in the South China Sea.

CF China is continuing to expand its customer base in Sanya City and is also in the process of expanding its operations to newly developed business, tourist and residential areas, including the districts of Yalong Bay, Haitang Bay and Green Scientific Park. CF China has been granted a preliminary right to construct facilities and distribute natural gas to Haitang Bay, a tourist destination located in Hainan Province currently under development. CF China is not dependent upon any single customer or group of customers for a material portion of its natural gas sales or revenues. CF China has been formally recognized as the City of Sanya's exclusive natural gas distributor through the signing of a concession agreement. This concession agreement gives CF China the exclusive right to piped gas distribution in the City of Sanya for 30 years commencing December 31, 2007 and includes any future geographical boundary increases of the City of Sanya.

CF China has started the construction of the 20 km extension pipeline to connect the Yalong Bay regional users to the company's existing networks in the city. The extension project has been fully funded and is expected to be completed by Q2 2008. The Company is expecting to supply natural gas to Yalong Bay customers by the end of Q2 in 2008. Once the construction is completed, CF China will be able to connect to the hotels in the region. The Company's estimated natural gas usage among these hotels is approximately 10 million M3 per annum.

Following the completion of its natural gas distribution networks, CF China retains ownership in such networks and manages its operation to transport natural gas to residential and commercial end users. CF China charges its customers a one time connection fee for the use of the network.

Foreign Exchange Rates

The Company undertakes many transactions in Chinese RMB. Information covering exchange rates between this currency and the Canadian dollar is summarized below.

One Canadian dollar to	RMB
Average Q1 2007	6.62
31-Mar-07	6.68
Average Q1 2008	7.13
31-Mar-08	6.82

The Canadian dollar has appreciated against the RMB in the first quarter when compared with the first quarter in 2007 with the average rate used for the income statement increasing from 6.62 to 7.13 to one Canadian dollar. This increase has had a negative impact on Canadian financial reporting from an income statement perspective.

As the Company's subsidiaries in China are considered self-sustaining, any impact on financial instruments due to the foreign exchange fluctuations have been recognized as other comprehensive income, not as net income, until the Company decides to liquidate its investment in China.

Key Financial Data and Comparative Figures ($000's except per share data)

	Unaudited 31-Mar 2008	Audited 31-Dec 2007
Balance Sheet		
Cash	7,183	2,598
Working capital (deficit)	(4,960)	(9,053)
Capital assets	24,286	21,548
Total assets	33,693	25,925
Shareholders' equity	8,142	1,668
Weighted average number of shares outstanding - basic (000's)	46,717	24,405

Quarterly data	2008	2007			
	Q1	Q4	Q3	Q2	Q1
Revenue	2,966	2,950	2,235	1,779	2,277
Gross profit	1,765	1,758	1,255	1,061	1,401
Interest	(289)	2	(366)	(253)	(352)
Net income (loss)	243	1,602	(235)	(414)	(35)

The above financial information has been prepared in accordance with Canadian generally accepted accounting principles and is stated in Canadian dollars. **The comparative data used, prior to the amalgamation, is that of Hainan Energy Limited the operating entity.**

Results of Operations

The Company generated revenues of $2,966,091 for the period ended March 31, 2008 compared to $2,277,140 in the first quarter of 2007. This increase can be attributed to the growth in piped gas sales as more customers are connected and an increase in gas connection revenue. The gross margin for the period was 59% as compared to 61% in 2007. The slight reduction in margin is due to the higher percentage of gas connection revenue in the revenue mix when compared to the same period in 2007.

The table below illustrates the increase in customers connected over the period and volume of gas sold.

	Q1 2008	Q1 2007	% change
Residential			
Customers connected during the quarter	2,960	1,745	70%
Total customers at the end of the quarter	27,466	18,505	48%
Gas sold Volume (M3) during quarter	750,000	410,000	83%
Commercial			
Customers connected during the quarter	17	12	42%
Total customers at the end of the quarter	298	224	33%
Gas sold Volume (M3) during quarter	4,300,000	3,140,000	37%

General and administrative costs for the quarter ended March 31, 2008 were $737,401 compared to $561,081 for the comparable period in 2007. This increase can be attributed to increases due to revenue growth and the costs related to the operation of a public company.

Travel and promotion costs for the year ended March 31, 2008 were $269,602 compared to $203,613 for the comparable period in 2007. The increase can be attributed to increased to additional promotion expenses relating to the increased sales activity.

Interest on long term debt for the period ended March 31, 2008 was $289,197 (2007 - $351,727).

Amortization for the quarter ended March 31, 2008 was $239,966 (2007 - $320,003). During the year ended December 31, 2007 we reviewed the amortization methods and estimates of the life and useful life of our plant and equipment and determined that the estimated useful lives of its pipeline assets should be increased from 20 years to 30 - 35 years.

The net income for the quarter ended March 31, 2008 was $242,715 or $0.005 per share compared to a net loss of $35,219 or $0.001 per share for the quarter ended March 31, 2007. The increase for the quarter is attributed to the increase in revenue and gross profit.

Related Parties

(a) During the three months ended March 31, 2008, the Company incurred consulting fees of $37,500 (2007 - $Nil) charged by two entities controlled by directors and officers of the Company, of which $12,500 (2007 - $Nil) was incurred prior to the RTO transactions. The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Due to related parties
A significant shareholder, who is also an officer and director of the Company advanced loans in the aggregate amount of RMB 40,000,000 ($5,864,000) (December 31, 2007 – RMB 40,000,000 $5,412,000) to the Company, through wholly owned corporations, in accordance with a Subordination and Forbearance Agreement dated April 27, 2007, Consignment Loan Agreements dated May 23, 2007 and June 26, 2007, and other ancillary documentation.

These loans are unsecured, non-interest bearing, are subordinate to the claims of all other creditors, including unsecured creditors, of the Company, and are due on demand; however, the loans cannot be demanded at any time until April 27, 2010. These corporations and the Company have entered into Loan Renewal Agreements whereby the parties have agreed to enter into further loan agreements upon the same terms and conditions as the Consignment Loan Agreements every three years, in perpetuity.

(c) Subscription receipts
Pursuant to the financing described in Note 8(b)(ii) of the financial statements, four directors and officers of the Company subscribed for an aggregate of 1,559,000 subscription receipts for gross proceeds of $935,400.

Capital Stock and Share Issuances

During the quarter the Company issued 12,500,000 shares on conversion of 12,500,000 subscription receipts, 32,750,000 common shares in connection with the acquisition of Hainan Energy Limited, 12,000,000 shares in connection with the redemption of the Company's debentures and 1,775,000 common shares upon completion of its reverse takeover of McBroom Resources.

During the quarter the Company granted 3,750,000 stock options to directors, officers and employees of the Company to acquire 3,750,000 common shares of the Company at an exercise price of $0.60 per share on or before January 22, 2013. The options vested immediately.

Liquidity

The Company's cash balance at March 31, 2008 was $7,183,231, compared to $2,597,876 at December 31, 2007. The Company had a working capital deficit of $4,959,588 as at March 31, 2008, compared to working capital of $9,052,517 as at December 31, 2007. The Company has been successful in raising equity however may not be so in the future. For accounting purposes the term loan facility as described in Note 7(b) of the Company's financial statements has been classified as current however the Company believes that the principal will only be repaid following the retirement of the term loan facility as described in note 7 (a) of the Company's financial statements.

During the quarter ended March 31, 2008, cash used in operating activities was $240,529, cash used in investing activities was $1,137,745 and cash provided from financing activities was $5,748,030 resulting in a net increase in cash and cash equivalents of $4,585,355.

Capital Resources

The Company has sufficient capital resources generated through operations and the private placement completed in January, 2008 to satisfy its current capital expenditure requirements. The Company will require additional funds for its Haitang Bay project which is expected to commence in the latter part of the year. Funding for this project is expected to come from a combination of debt, internally generated cash flow and a possible equity offering.

Disclosure Controls and Procedures

Management is responsible for the information disclosed in this management discussion and analysis and has in place the appropriate information systems, procedures and controls to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable. As of the financial year ended December 31, 2006, an evaluation was carried out under the supervision of, and with the participation of, the Company's management, including the Chief Executive Officer and Chief Financial Officer, on the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of December 31, 2007 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company.

The Company has also adopted a formal Disclosure Policy relating to disclosure controls and procedures. This policy extends to the conduct of directors, officers, spokespersons and other employees and agents of the Company, and all methods that the Company uses to communicate to the public.

As there have been no subsequent changes to these controls and procedures, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of December 31, 2007 to provide reasonable assurance that material information relating to the Company would be made known to them by others within those entities.

Internal Control over Financial Reporting

MI 52-109 also requires a reporting issuer to submit an annual certificate relating to the design of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. As part of this process, management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the design of the internal control over financial reporting at December 31, 2007 and based on this evaluation, management has concluded that the design of internal control over financial reporting was effective as of December 31, 2007.

Changes in Internal Control over Financial Reporting

Under the provisions of MI 52-109, a reporting issuer is also required to disclose in their MD&A any change in internal control over financial reporting during the most recent fiscal quarter that has materially effected, or is reasonably likely to materially affect internal control over financial reporting.

Management has determined that there have been no changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting.

Share Capital

As of the report date the Company has 66,025,000 common shares outstanding and 3,750,000 stock options at an average exercise price of $.60 per share.

New Accounting Policies

On December 1, 2006, the CICA issued the following new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments - Disclosures (Handbook Section 3862), Financial Instruments - Presentation (Handbook Section 3863), and Inventories (Handbook Section 3031). These new standards became effective for the Company on January 1, 2008.

Capital Disclosures

CICA Handbook Section 1535 "Capital Disclosures", issued in December2006, establishes standards for disclosures about capital that are effective for fiscal periods beginning on or after October 1, 2007. It requires an entity to disclose its objectives, policies and processes for managing capital and to disclose quantitative data about what it considers to be capital.

It also requires an entity to disclose whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 15 to these interim consolidated financial statements.

Financial Instruments

In December 2006, the Canadian Accounting Standards Board (AcSB) issued two new Sections in relation to financial instruments: Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation. The Company adopted both sections, effective January 1, 2008. The Company has included disclosures recommended by the new Handbook section in Note 11 to the interim consolidated financial statements.

Inventories

In June 2007, the CICA issued section 3031, Inventories, which requires inventory to be measured at lower of cost and net realizable value. The standard also provides guidance on costs that can be capitalized. In addition, previous inventory write-downs must be reversed if the economic circumstances have changed to support an increase in the previously impaired inventory value. The adoption of this standard did not have a material impact on the interim consolidated financial statements.

Financial Instruments and Other Instruments

Please refer to Note 11 of the Company's March 31, 2008 financial statements

Outlook

The Company continues to add both residential and commercial customers to its existing networks as well as expand its medium pressure pipelines. The Yalong Bay extension is expected to be completed in the second quarter with gas flowing in the latter part of the year.

As previously announced the Company has received preliminary approval for a pressure station in conjunction with its planned Haitang Bay extension, a 25km medium pressure pipeline.

The Company is also exploring other expansion opportunities both on Hainan Island and in mainland China.